

MARTINEZ UNIFIED SCHOOL DISTRICT  
COUNTY OF CONTRA COSTA  
MARTINEZ, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 04952

Assigned To: Armstrong

Date Reviewed: 7/23/09

Reviewer's Initials: RA

Date Review(s) Completed: 7/23/09



JUNE 30, 2008

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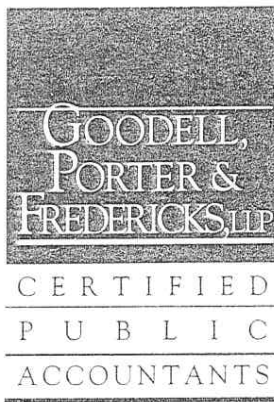
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## FINANCIAL SECTION





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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education  
Martinez Unified School District  
Martinez, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Martinez Unified School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of *California Code of Regulations* Title 5 Education, Section 19810, and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Martinez Unified School District as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on page 3 through 12 and the budgetary comparison information on pages 43 and 44 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martinez Unified School District's basic financial statements. The accompanying statistical schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Martinez Unified School District. The statistical schedules, the schedule of expenditures of federal awards and the combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



GOODELL, PORTER & FREDERICKS, LLP  
Certified Public Accountants

December 12, 2008

MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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The discussion and analysis of Martinez Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

#### FINANCIAL HIGHLIGHTS

- The General Fund total revenue limit sources increased by \$714,349 from 2006-07 to 2007-08.
- General Fund expenditures and other uses exceeded revenues and other financial sources by \$31 thousand, ending the year with available reserves of \$934,000, which is equal to the State recommended reserve level of 3%.
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$73.3 million. After depreciation, the June 30, 2008 book value for fixed assets totaled \$43.1 million.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

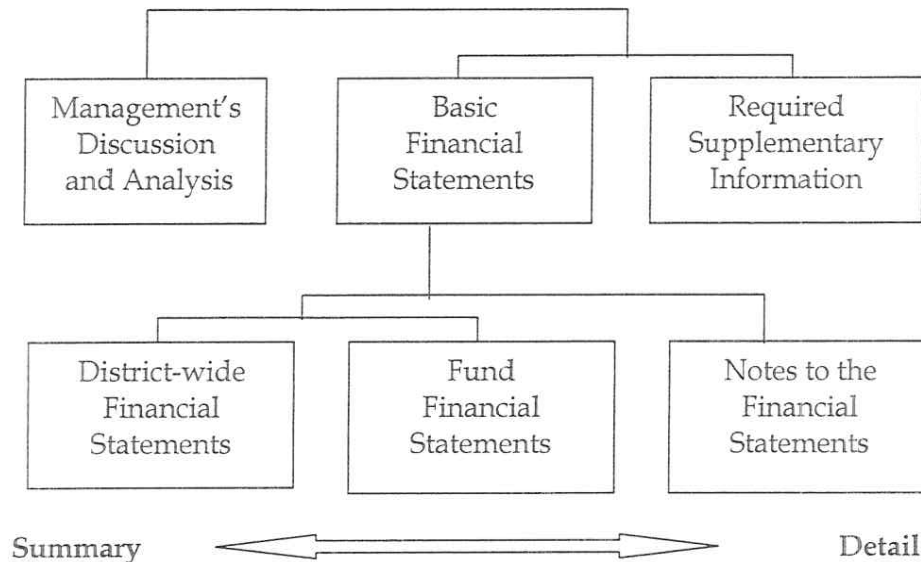
This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Martinez Unified School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section



The first two statements are *district-wide financial statements*, the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column. Comparisons of the District's General Fund and Adult Education Fund budgets are included.

MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Components of the Financial Section (Concluded)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2007-08?"

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net assets, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- ◆ Increases or decreases in the net assets of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- ◆ Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, the Adult Education Fund, the Special Reserve Fund for Capital Outlay Projects, and the Bond Interest and Redemption Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ **Fiduciary Funds**

The District is the trustee, or fiduciary, for its student activity and scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

*The School District as a Whole*

The District's net assets were \$36.4 million at June 30, 2008. Of this amount \$4.2 million was unrestricted. Investments in capital assets, net of related debt, account for \$16.8 million of the total net assets. A comparative analysis of government-wide data is presented in Table 1.

**(Table 1)**  
**Comparative Statement of Net Assets**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Cash	\$ 9,823,786	\$ 10,517,941
Investments	9,121,550	10,975,921
Receivables	2,073,483	1,974,399
Stores inventory	20,004	17,457
Capital assets, net of depreciation	43,114,450	40,633,424
Total assets	<u>\$ 64,153,273</u>	<u>\$ 64,119,142</u>
<b>Liabilities</b>		
Deficit Cash	\$ 448,708	\$ 729,728
Accounts payable and other current liabilities	604,516	1,069,735
Deferred Income	194,539	262,796
Long-term liabilities	26,427,075	29,207,466
Total liabilities	<u>\$ 27,674,838</u>	<u>\$ 31,269,725</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 16,889,214	\$ 11,901,797
Restricted	15,301,194	17,346,247
Unrestricted	4,288,027	3,601,373
Total net assets	<u>\$ 36,478,435</u>	<u>\$ 32,849,417</u>

MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

The District's net asset position increased \$3.6 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 76% of total expenses. The purely administrative activities of the District accounted for just 5% of total costs. The remaining 19% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

**(Table 2)**  
**Comparative Statement of Change in Net Assets**

	Governmental Activities	
	2008	2007
<b>Revenues</b>		
Program revenues	\$ 10,739,622	\$ 11,012,264
General revenues		
Taxes levied for general purposes	18,079,324	16,655,695
Taxes levied for debt service	3,755,734	4,750,538
Federal and State aid not restricted to specific purposes	7,254,509	8,299,259
Interest and investment earnings	738,370	996,765
Miscellaneous	2,699,494	966,710
Total revenues	<u>43,267,053</u>	<u>42,681,231</u>
<b>Expenses</b>		
Instruction	22,889,259	22,423,501
Instruction related services	4,471,293	4,728,605
Pupil support services	2,782,339	2,481,712
General administration	1,955,482	2,047,263
Plant services	3,504,127	3,746,494
Other	4,035,535	3,814,756
Total expenses	<u>39,638,035</u>	<u>39,242,331</u>
Increase in net assets	<u>\$ 3,629,018</u>	<u>\$ 3,438,900</u>

MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

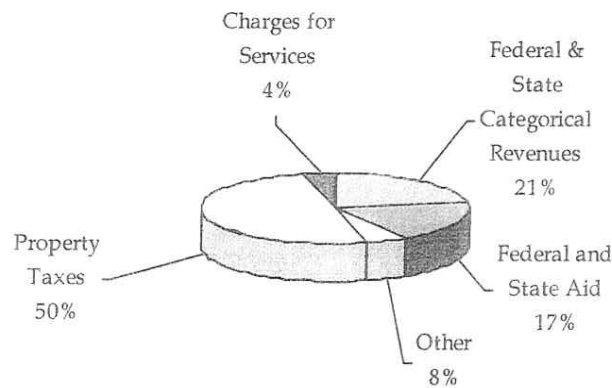
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**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)**

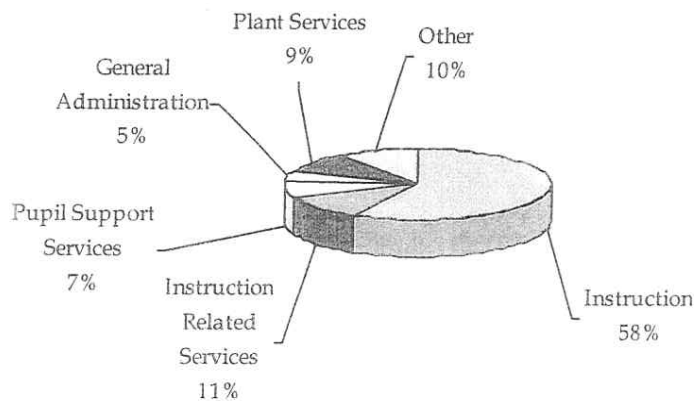
**Governmental Activities**

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$39.6 million. The amount that our local taxpayers financed for these activities through property taxes was \$21.8 million. Federal and State aid not restricted to specific purposes totaled \$7.2 million. State and Federal Categorical revenue totaled over \$10.7 million. (See Figure 1).

**Sources of Revenue for the 2007-08 Fiscal Year  
Figure 1**



**Expenses for the 2007-08 Fiscal Year  
Figure 2**



MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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## **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$20 million.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net increase to the ending balance of \$4.1 million.

The District's General Fund ended the year by decreasing \$31 thousand. The State recommends an ending reserve for economic uncertainties of 3%. The District's ending available reserve was 3%, which included the reserve for economic uncertainties.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of the 2007-08 fiscal year, the District had invested \$73 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation were \$43 million at June 30, 2008, which is an increase of \$2,481,026 from the previous year due to acquisitions totaling \$4,902,869 and depreciation expense of \$2,421,843.

MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)**

**Capital Assets (Concluded)**

**Table 3**  
**Comparative Schedule of Capital Assets**  
**(net of depreciation)**  
**June 30, 2008 and 2007**

	2008	2007	Difference	Total Percent Change
Land	\$ 5,740,960	\$ 5,740,960		
Work in Progress	0	1,364,487	\$ (1,364,487)	-100.0%
Sites and Improvements	3,727,654	2,164,965	1,562,689	72.2%
Buildings	32,947,733	30,660,323	2,287,410	7.5%
Machinery & Equipment	698,103	702,689	(4,586)	-0.7%
Total	<u>\$ 43,114,450</u>	<u>\$ 40,633,424</u>	<u>\$ 2,481,026</u>	<u>6.1%</u>

The primary increase in capital assets occurring in Buildings, which includes the purchase of a new athletic field at Alhambra High School and a new District office and work in progress at June 30, 2007 placed into service during 2007-08.

**Long-Term Debt**

At June 30, 2008, the District had \$27 million in long-term debt outstanding.

**Table 4**  
**Comparative Schedule of Outstanding Debt**  
**June 30, 2008 and 2007**

	2008	2007
General Obligations Bonds	\$ 26,240,000	\$ 29,048,829
Compensated Absences	187,075	158,637
Total	<u>\$ 26,427,075</u>	<u>\$ 29,207,466</u>

The District continues to maintain excellent credit ratings on all of its debt issues.

The long-term debt paid by the District was approximately \$2.8 million in 2008.

MARTINEZ UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008

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**Long-Term Debt (Concluded)**

The general obligation bonds are financed by the local taxpayers and represent 99% of the District's total outstanding debt.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The State's economic downturn is a major factor affecting the District's future. The financial well being of the District is tied in large measure to the state funding formula. Furthermore, the State's current year budget does not fully address its budget problem, so it is anticipated that further reductions in funding may be forthcoming.

The latest enrollment projections indicate a leveling of enrollment for the next school year. Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California.

Even with leveling of enrollment, the State's economic condition indicates a likely decline in the District's revenue, along with related budget reductions. The future predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Liz Robbins, , Chief Business Official, Martinez Unified School District, 921 Susana Street, Martinez, CA 94553, (925) 335-5925.

## MARTINEZ UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2008

		Governmental Activities
<u>ASSETS</u>		
Cash (Note 2)		\$ 9,823,786
Investments (Note 2)		9,121,550
Accounts Receivable (Note 3)		2,073,483
Stores Inventory (Note 1H)		20,004
Capital Assets (Note 5):		
Land	\$ 5,740,960	
Sites and Improvements	8,901,095	
Buildings and Improvements	56,614,756	
Machinery and Equipment	2,091,424	
Less Accumulated Depreciation	(30,233,785)	
Total Capital Assets, Net of Depreciation		43,114,450
Total Assets		<u>\$ 64,153,273</u>
<u>LIABILITIES</u>		
Deficit Cash Balance (Note 2)		\$ 448,708
Accounts Payable and Other Current Liabilities		604,516
Deferred Income (Note 1H)		194,539
Long-term Liabilities (Note 6):		
Due Within One Year	\$ 2,982,075	
Due After One Year	23,445,000	
Total Long-term Liabilities		26,427,075
Total Liabilities		<u>\$ 27,674,838</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt		\$ 16,889,214
Restricted For:		
Capital Projects		9,001,474
Debt Service		5,368,846
Education Programs		930,874
Unrestricted		4,288,027
Total Net Assets		<u>\$ 36,478,435</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Governmental Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction	\$ 22,889,259	\$ 606,148	\$ 5,507,807	\$ (16,775,304)
Instruction-related services:				
Supervision of instruction	1,044,772	82,973	861,939	(99,860)
Instructional library, media and technology	457,759	20,939	189,411	(247,409)
School site administration	2,968,762	126,933	967,978	(1,873,851)
Pupil Services:				
Home-to school transportation	93,822		6,594	(87,228)
Food services	899,572	545,072	312,114	(42,386)
All other pupil services	1,788,945	35,852	530,934	(1,222,159)
General administration:				
Data processing	356,432			(356,432)
All other general administration	1,599,050	39,090	172,625	(1,387,335)
Plant services	3,504,127	96,046	566,922	(2,841,159)
Ancillary services	132,215			(132,215)
Community services	1,300	512	849	61
Interest on long-term debt	1,165,541			(1,165,541)
Other Outgo	314,636		68,884	(245,752)
Depreciation (unallocated)	2,421,843			(2,421,843)
Total Governmental Activities	\$ 39,638,035	\$ 1,553,565	\$ 9,186,057	(28,898,413)
General Revenues:				
Property Taxes Levied For:				
General Purposes				18,079,324
Taxes Levied for Debt Services				3,755,734
Federal and State Aid not Restricted to Specific Purposes				7,254,509
Interest and Investment Earnings				738,370
Miscellaneous				2,699,494
Total General Revenue				32,527,431
Change in Net Assets				3,629,018
Net Assets Beginning				32,849,417
Net Assets Ending				\$ 36,478,435

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



MARTINEZ UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Adult Education	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash in County Treasury (Note 2)	\$ 2,101,486	\$ 344,786		\$ 4,252,540	\$ 1,971,948	\$ 8,670,760
Cash on Hand in Banks (Note 2)		23,251			3,098	26,349
Cash in Revolving Fund (Note 2)	5,371	5,000				10,371
Cash with Fiscal Agent (Note 2)				1,116,306		1,116,306
Investments (Note 2)	838,074		\$ 8,270,596		12,880	9,121,550
Accounts Receivable (Note 3)	1,556,916	380,658	50,777		85,132	2,073,483
Stores Inventory (Note 1H)					20,004	20,004
Total Assets	<u>\$ 4,501,847</u>	<u>\$ 753,695</u>	<u>\$ 8,321,373</u>	<u>\$ 5,368,846</u>	<u>\$ 2,093,062</u>	<u>\$ 21,038,823</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Deficit Cash (Note 2)			\$ 284,653		\$ 164,055	\$ 448,708
Accounts Payable	\$ 254,663	\$ 29,712	277,827		42,314	604,516
Deferred Revenue (Note 1H)	106,803		87,736			194,539
Total Liabilities	<u>361,466</u>	<u>29,712</u>	<u>650,216</u>		<u>206,369</u>	<u>1,247,763</u>
Fund Balances (Note 1H):						
Reserved	5,371	5,000		\$ 5,368,846	20,004	5,399,221
Legally Restricted Balances	930,874	29,793				960,667
Unreserved:						
Designated	3,204,136	143,251			615,477	3,962,864
Undesignated		545,939	7,671,157		1,251,212	9,468,308
Total Fund Balances	<u>4,140,381</u>	<u>723,983</u>	<u>7,671,157</u>	<u>5,368,846</u>	<u>1,886,693</u>	<u>19,791,060</u>
Total Liabilities and Fund Balances	<u>\$ 4,501,847</u>	<u>\$ 753,695</u>	<u>\$ 8,321,373</u>	<u>\$ 5,368,846</u>	<u>\$ 2,093,062</u>	<u>\$ 21,038,823</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

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Total fund balance - governmental funds		\$ 19,791,060
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation

\$ 73,348,235
<u>(30,233,785)</u>

43,114,450

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds payable  
Compensated absences payable

\$26,240,000
<u>187,075</u>

(26,427,075)

Total net assets-governmental activities

\$ 36,478,435

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Adult Education	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>						
Revenue Limit Sources:						
State Apportionments	\$ 4,800,084				\$ 9,000	\$ 4,809,084
Local Sources	18,079,324					18,079,324
Total Revenue Limit	22,879,408				9,000	22,888,408
Federal Revenue	1,469,688	\$ 340,174			318,124	2,127,986
Other State Revenue	4,040,209	3,387,532	\$ 35,822	\$ 26,604	230,923	7,721,090
Other Local Revenue	2,553,522	752,848	2,135,733	3,832,073	1,261,267	10,535,443
Total Revenues	30,942,827	4,480,554	2,171,555	3,858,677	1,819,314	43,272,927
<u>EXPENDITURES</u>						
Certificated Salaries	16,165,489	1,885,391				18,050,880
Classified Salaries	3,802,248	654,138			325,166	4,781,552
Employee Benefits	6,447,262	628,843			121,501	7,197,606
Books and Supplies	1,499,495	165,728	185,734		465,145	2,316,102
Services and Other						
Operating Expenditures	2,810,242	531,279	1,329		250,681	3,593,531
Capital Outlay	8,160		2,857,500		1,805,115	4,670,775
Debt Service:						
Principal Retirement				2,810,000		2,810,000
Interest and Fiscal Charges				1,164,370	5,855	1,170,225
Other Outgo	169,775	117,206			27,674	314,655
Total Expenditures	30,902,671	3,982,585	3,044,563	3,974,370	3,001,137	44,905,326
Excess of Revenues Over (Under) Expenditures	40,156	497,969	(873,008)	(115,693)	(1,181,823)	(1,632,399)
Other Financing Sources (Uses):						
Operating Transfers						
In (Note 4)	150,000				221,137	371,137
Out (Note 4)	(221,137)		(150,000)			(371,137)
Total Other Financing Sources (Uses)	(71,137)	0	(150,000)	0	221,137	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(30,981)	497,969	(1,023,008)	(115,693)	(960,686)	(1,632,399)
Fund Balances - July 1, 2007	4,171,362	226,014	8,694,165	5,484,539	2,847,379	21,423,459
Fund Balances June 30, 2008	\$ 4,140,381	\$ 723,983	\$ 7,671,157	\$ 5,368,846	\$ 1,886,693	\$ 19,791,060

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

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Net change in fund balances - Total governmental funds \$ (1,632,399)

Amounts reported for governmental activities in the  
statement of activities are different because:

Capital outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 4,902,869	
Depreciation expense:	<u>(2,421,843)</u>	
		2,481,026

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,810,000

Unmatured interest on long-term debt: In governmental funds interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period owing from the prior period, was: (1,171)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (28,438)

Total change in net assets-governmental activities \$3,629,018

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

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	Private-Purpose Trust	Agency Fund
	<u>          </u>	<u>          </u>
<u>ASSETS</u>		
Cash in County Treasury (Note 2)	\$ 129,432	
Cash on Hand and in Bank (Note 2)		\$ 295,995
Accounts Receivable (Note 3)	<u>2,825</u>	
Total Assets	<u><u>\$ 132,257</u></u>	<u><u>\$ 295,995</u></u>
 <u>LIABILITIES</u>		
Liabilities:		
Due to Student Groups	<u>\$ 0</u>	<u>\$ 295,995</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 295,995</u></u>
 <u>NET ASSETS</u>		
Reserved for scholarships	<u>\$ 132,257</u>	<u>\$ 0</u>
Total Net Assets	<u><u>\$ 132,257</u></u>	<u><u>\$ 0</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 33,803
Interest	4,411
Total Additions	38,214
<b>Deductions</b>	
Scholarships Awarded	19,350
Total Deductions	19,350
Change in Net Assets	18,864
<b>Net Assets</b>	
Net Assets - July 1, 2007	113,393
Net Assets - June 30, 2008	\$ 132,257

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

The District includes all funds that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.



MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - exchange and non-exchange transactions (Concluded):

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as follows:

MAJOR GOVERNMENTAL FUNDS:

1. General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
3. Special Reserve Fund for Capital Outlay Projects is used to account for resources committed to improvements and maintenance projects as determined by the governing board of the District.
4. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

NON-MAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains three non-major special revenue funds:

1. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria fund.
2. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
3. Special Reserve Fund for Postemployment Benefits is used to accumulate funds to pay retirees health care premiums, in accordance with District employment contracts.

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED):

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains three non-major capital projects funds:

1. Building Fund is used to account for the acquisition of major government capital facilities and buildings from the sale of bonds.
2. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
3. County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the District as trustee. The District maintains one expendable trust fund, the scholarship fund, which is used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains seven agency funds to account for the activities of the various Student Body clubs at the District.

The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's Board of Education and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised are presented for the General Fund and Major Special Revenue Funds as required supplementary information in the financial statements.

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The District has recorded budget transfers to make the final budget agree with actual revenues and expenditures.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments

State Investment Pool - The District participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

2. Stores Inventory and Prepaid Expenses

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's cafeteria inventory valuation is First-in-First-out (FIFO).

The District had the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when the item is expensed.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

8. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

9. Fund Balance Reserves and Designations

The District's fund balances at June 30, 2008 consisted of the following:

	General Fund	Adult Education	Special Reserve Fund For Capital Outlay Projects	Bond Interest and Redemption	Other Governmental Funds	Total
Reserved For:						
Revolving Fund	\$ 5,371	\$ 5,000				\$ 10,371
Stores Inventory					\$ 20,004	20,004
Debt Service				\$ 5,368,846		5,368,846
Legally Restricted Balances	930,874	29,793				960,667
Unreserved:						
Designated for:						
Economic Uncertainties	934,000	120,000				1,054,000
Other Program Carryovers	2,270,136					2,270,136
Special Revenue Funds		23,251			615,477	638,728
Undesignated Reported In:						
Special Revenue Funds		545,939			834,739	1,380,678
Capital Projects Funds			\$ 7,671,157		416,473	8,087,630
Total Fund Balances	<u>\$ 4,140,381</u>	<u>\$ 723,983</u>	<u>\$ 7,671,157</u>	<u>\$ 5,368,846</u>	<u>\$ 1,886,693</u>	<u>\$ 19,791,060</u>



MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

9. Fund Balance Reserves and Designations (Concluded)

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and stores inventory reflects the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

10. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.



## MARTINEZ UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - CASH AND INVESTMENTS

The District had the following cash and investments at June 30, 2008:

	Fair Value	Carrying Amount	Standard & Poor's Credit Quality Rating
<u>Cash</u>			
Cash on Hand and in Bank	\$ 322,344	\$ 322,344	Not Rated
Cash in Revolving Fund	10,371	10,371	Not Rated
Cash in County Treasury (net of deficit cash \$448,708)	8,368,500	8,351,484	Not Rated
Cash with Fiscal Agent California Asset Management Program JPA Cash Reserve Portfolio	1,116,306	1,116,306	AAA
Total Cash	9,817,521	9,800,505	
<u>Investment</u>			
Local Agency Investment Fund	7,438,179	7,438,550	Not Rated
US Treasury Strips	1,730,826	1,683,000	AAA
Total Investments	9,169,005	9,121,500	
Total Cash and Investments	\$ 18,986,526	\$ 18,922,005	

A. Cash on Hand, In Banks and in Revolving Fund

Cash balances on hand, in banks, and revolving funds are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). These amounts are held within various financial institutions. As of June 30, 2008, the carrying amount of the District's accounts was \$332,715.

B. Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled \$8,351,484 as of June 30, 2008. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$8,368,500. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

C. Cash with Fiscal Agent

Cash with Fiscal Agent represents:

- i) amounts on deposit California Asset Management Program Joint Power Authority for the District's future bond interest and principal repayment.

D. Investments

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

i) Investments in Local Agency Investment Funds (LAIF)

The District's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2008, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

## MARTINEZ UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)D. Investments (Concluded)i) Investments in Local Agency Investment Funds (LAIF) (Concluded)

As of June 30, 2008, the District has \$7,438,550 invested in LAIF, which had invested 20.01% of the pool investment funds in Structured Notes and Asset-Backed Securities. The District valued its investments in LAIF as of June 30, 2008, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.999950219. No adjustment from carrying amount to fair value was made, as this difference is insignificant.

ii) US Treasury Strips

The Contra Costa County Auditor's general ledger reflects the District's Investment in Treasury Strips at the maturity value. The District has elected to record the investment balance at the maturity value to be consistent with the Contra Costa County Auditor's Office. In addition, the District has posted a \$58,074 liability for unearned interest to reflect the estimated net value of the treasury strips as of June 30, 2008.

E. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2008:

Governmental Activities	Fiduciary Funds Statement of Net Assets	Total
<u>\$18,496,628</u>	<u>\$425,427</u>	<u>\$18,922,055</u>

F. Interest Rate Risk

At June 30, 2008, the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>2 or more</u>
County Treasury	\$ 8,368,500	\$ 5,573,421	\$ 1,456,119	\$ 1,338,960
California Asset Management Program JPA Cash Reserve Portfolio	1,116,306	1,116,306		
Local Agency Investment Fund	7,438,179	7,438,179		
US Treasury Strips	1,730,826	1,730,826		
Total	<u>\$ 18,653,811</u>	<u>\$ 15,858,732</u>	<u>\$ 1,456,119</u>	<u>\$ 1,338,960</u>

## MARTINEZ UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 consist of the following:

	General Fund	Adult Education Fund	Special Reserve Fund For Capital Outlay Projects	All Other Governmental Funds	Total
Federal Government					
Categorical Aid Program	\$ 402,371	\$ 58,477		\$ 51,122	\$ 511,970
State Government					
Revenue Limit	466,753	303,970			770,723
Categorical Aid Programs	338,176				338,176
Lottery	153,742				153,742
Other State	1,395	17,336		3,558	22,289
Total State Government	960,066	321,306		3,558	1,284,930
Interest	6,465		\$ 50,777	202	57,444
Miscellaneous	188,014	875		30,250	219,139
Total Accounts Receivable	<u>\$ 1,556,916</u>	<u>\$ 380,658</u>	<u>\$ 50,777</u>	<u>\$ 85,132</u>	<u>\$ 2,073,483</u>

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

## MARTINEZ UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)Interfund Transfers

Interfund transfers for the 2007-2008 fiscal year were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 150,000	\$ 221,137
Deferred Maintenance Fund	221,137	
Special Reserve Fund for Capital Outlay Projects		150,000
Totals	<u>\$ 371,137</u>	<u>\$ 371,137</u>

Transfer of \$221,137 from the General fund to the Deferred Maintenance Fund for State match requirements.

Transfer of \$150,000 from the Special Reserve Fund for Capital Outlay Projects to the General Fund for long-term maintenance projects.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008, is shown below:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 5,740,960			\$ 5,740,960
Work in Progress	1,364,487		\$ 1,364,487	
Total capital assets, not being depreciated	<u>7,105,447</u>		<u>1,364,487</u>	<u>5,740,960</u>
Capital assets being depreciated:				
Buildings	52,591,411	\$ 4,023,345		56,614,756
Improvements of sites	6,764,434	2,136,661		8,901,095
Equipment	1,984,074	107,350		2,091,424
Total capital assets, being depreciated	<u>61,339,919</u>	<u>6,267,356</u>	<u>0</u>	<u>67,607,275</u>
Less accumulated depreciation for:				
Buildings	21,931,088	1,735,935		23,667,023
Improvements of sites	4,599,469	573,972		5,173,441
Equipment	1,281,385	111,936		1,393,321
Total accumulated depreciation	<u>27,811,942</u>	<u>2,421,843</u>	<u>0</u>	<u>30,233,785</u>
Total capital assets, being depreciated, net	<u>33,527,977</u>	<u>3,845,513</u>	<u>0</u>	<u>37,373,490</u>
Governmental activities capital assets, net	<u>\$ 40,633,424</u>	<u>\$ 3,845,513</u>	<u>\$ 1,364,487</u>	<u>\$ 43,114,450</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - BONDED DEBT

On June 6, 1995, the District received authorization from its voters to issue \$23 million of General Obligation Bonds. The first series was issued in August 1995 in the aggregate principal amount of \$11,999,914 (the "Series 1995 Bonds"). The second series was issued in August 1997 in the aggregate principal amount of \$8,250,000 (the "Series 1997 Bonds"). The bonds were issued to raise money to be used to renovate Martinez Junior High School, modernize, construct, acquire or replace school facilities, improve school grounds, finance sewer and drainage projects for school property, and provide for long-term capital improvements district wide.

In 1998, the Martinez Unified School District issued General Obligation Bonds, Series 1998 (the "Series 1998 Bonds"), in the aggregate principal amount of \$2,750,000 to raise money for acquisition and improvement of real property for authorized school purposes.

In 2001, the Martinez Unified School District issued General Obligation Refunding Bonds (the "Refunding Bonds"), in the aggregate principal amount of \$30,045,000 for the purpose of refunding the Martinez Unified School District's 1992 General Obligation Bonds which matured August 1, 2001 through August 1, 2014 and a portion of the General Obligation Bonds, Series 1995 ("Series 1995 Bonds").

The Bonds are payable solely from ad valorem property taxes levied and collected by the County of Contra Costa. The Board of Supervisors of the County has power and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates).

The outstanding general obligation debt of the Martinez Unified School District at June 30, 2008, is:

A. Current Interest Bonds

A schedule of changes in the District's current interest general obligation bonds is as follows:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2007	Redeemed Current Year	Outstanding June 30, 2008
1997	3.8-5.0	2015	\$ 8,250,000	\$ 4,720,000	\$ 495,000	\$ 4,225,000
1998	4.0-10.0	2015	2,750,000	1,625,000	175,000	1,450,000
2001	2.875-4.375	2015	30,045,000	22,380,000	1,815,000	20,565,000
Totals			<u>\$ 41,045,000</u>	<u>\$ 28,725,000</u>	<u>\$ 2,485,000</u>	<u>\$ 26,240,000</u>

## MARTINEZ UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - BONDED DEBT (CONCLUDED)A. Current Interest Bonds (Concluded)

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2008 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,795,000	\$ 1,057,850	\$ 3,852,850
2010	3,030,000	938,320	3,968,320
2011	3,285,000	808,052	4,093,052
2012	3,550,000	666,459	4,216,459
2013	3,865,000	510,458	4,375,458
2014-2015	9,715,000	402,881	10,117,881
Totals	<u>\$ 26,240,000</u>	<u>\$ 4,384,020</u>	<u>\$ 30,624,020</u>

B. Capital Appreciation Bonds

A schedule of changes in the District's capital appreciation bonds is as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2007</u>	<u>(Net) Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2008</u>
1995	410-6.35	2008	<u>\$ 11,999,914</u>	<u>\$ 323,829</u>	<u>\$ 1,171</u>	<u>\$ 325,000</u>	<u>\$ 0</u>

The schedule of combined accumulated accretion is as follows:

<u>July 1, 2007 Beginning Balance</u>	<u>Addition</u>	<u>Deduction</u>	<u>June 30, 2008 Ending Balance</u>
<u>\$160,000</u>	<u>\$1,171</u>	<u>\$161,171</u>	<u>\$ 0</u>

## MARTINEZ UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below.

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
General Obligation Bonds	\$ 29,048,829	\$ 1,171	\$ 2,810,000	\$ 26,240,000	\$ 2,795,000
Compensated Absences	158,637	28,438	0	187,075	187,075
Totals	<u>\$ 29,207,466</u>	<u>\$ 29,609</u>	<u>\$ 2,810,000</u>	<u>\$ 26,427,075</u>	<u>\$ 2,982,075</u>

The compensated absences will be paid by the General Fund. Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

A. State Teachers' Retirement System (STRS)

*Plan Description.* The Martinez Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

*Funding Policy.* Active plan members are required to contribute 8.0% of their salary and the Martinez Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Martinez Unified School District's contributions to STRS for the fiscal year ending June 30, 2008, 2007, and 2006 were \$1,826,582, \$1,383,288 and \$1,373,371, respectively, and equal 100% of the required contributions for each year.



MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS)

*Plan Description.* The Martinez Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

*Funding Policy.* Active plan members are required to contribute 7.0% of their salary and the Martinez Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2007-2008 was 9.306% of annual payroll. The contribution requirements of the plan members are established by State statute. The Martinez Unified School District's contributions to CalPERS for the fiscal year ending June 30, 2008, 2007 and 2006 were \$343,171, \$426,836 and \$387,128, respectively and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 9 - STUDENT BODY FUNDS

The Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

B. Joint Ventures

The District participates in four joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance; the Contra Costa and Solano Counties School Districts' Self-Insurance Authority (CCSCSDSIA) for property and liability insurance, Schools Excess Liability Fund (SELF) for excess liability, property, and workers' compensation coverage, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 8, the District provides postretirement health care benefits to employees who retire from the District on or after attaining age fifty-five with at least fifteen years of service. The District paid \$179,110 during 2007-2008 for forty-two (42) retirees who met the eligibility requirements.

The District provides 100% of the cost of medical and dental benefits until age 65 following retirement.

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS  
(CONCLUDED)

This future liability is not recorded as Long-Term Debt by the District. The District designated \$615,477 of fund balance in the Special Reserve Fund for Postemployment Benefits for retiree benefits as of June 30, 2008.

GASB Statement No. 43 "Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans" and Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension" will require the District to perform periodic actuarial valuations to measure and disclose the retiree current and future postemployment benefits liabilities in the financial statements. The District is required to implement these GASB standards in fiscal year 2008-09. Except for the reserves established in the Special Reserve Fund for Postemployment Benefits, the District is funding the future cost of retiree benefits on a "pay as you go" basis.

NOTE 12 - DEFICIT FUND BALANCE

The District ended fiscal year 2008-09 with a deficit fund balance of \$73,865 in the Cafeteria Fund. The deficit fund balance is expected to be eliminated by future operating surpluses or transfers from other District funds.



REQUIRED SUPPLEMENTARY INFORMATION SECTION



MARTINEZ UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive- (Negative)
	Original	Final	Actual (Budgetary Basis)	
<u>REVENUES</u>				
Revenue Limit Sources:				
State Apportionments	\$ 6,742,393	\$ 4,800,084	\$ 4,800,084	
Local Sources	16,191,182	18,079,324	18,079,324	
Total Revenue Limit	22,933,575	22,879,408	22,879,408	\$ 0
Federal Revenue	1,301,161	1,469,688	1,469,688	
Other State Revenue	3,974,859	4,040,209	4,040,209	
Other Local Revenue	1,978,817	2,553,522	2,553,522	
Total Revenues	30,188,412	30,942,827	30,942,827	0
<u>EXPENDITURES</u>				
Certificated Salaries	15,943,607	16,165,489	16,165,489	
Classified Salaries	3,710,627	3,802,248	3,802,248	
Employee Benefits	6,375,890	6,447,262	6,447,262	
Books and Supplies	1,187,885	1,499,495	1,499,495	
Services and Other				
Operating Expenditures	2,455,110	2,810,242	2,810,242	
Capital Outlay	216,276	8,160	8,160	
Other Outgo	162,199	169,775	169,775	
Total Expenditures	30,051,594	30,902,671	30,902,671	0
Excess of Revenues Over (Under) Expenditures	136,818	40,156	40,156	0
Other Financing Sources (Uses):				
Operating Transfers In	150,000	150,000	150,000	
Operating Transfers Out	(220,000)	(221,137)	(221,137)	
Total Other Financing Sources (Uses)	(70,000)	(71,137)	(71,137)	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	66,818	(30,981)	(30,981)	0
Fund Balances - July 1, 2007	3,264,821	4,171,362	4,171,362	0
Fund Balances - June 30, 2008	\$ 3,331,639	\$ 4,140,381	\$ 4,140,381	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL  
ADULT EDUCATION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive- (Negative)
	Original	Final	Actual (Budgetary Basis)	
<u>REVENUES</u>				
Federal Revenue	\$ 309,809	\$ 340,174	\$ 340,174	
Other State Revenue	3,391,468	3,387,532	3,387,532	
Other Local Revenue	718,000	752,848	752,848	
Total Revenues	4,419,277	4,480,554	4,480,554	\$ 0
<u>EXPENDITURES</u>				
Certificated Salaries	1,971,358	1,885,391	1,885,391	
Classified Salaries	622,383	654,138	654,138	
Employee Benefits	653,131	628,843	628,843	
Books and Supplies	165,123	165,728	165,728	
Services and Other				
Operating Expenditures	478,230	531,279	531,279	
Capital Outlay	700			
Debt Service:				
Interest and Fiscal Charges	15,000			
Other Outgo	117,206	117,206	117,206	
Total Expenditures	4,023,131	3,982,585	3,982,585	0
Excess of Revenues Over Expenditures	396,146	497,969	497,969	0
Fund Balances - July 1, 2007	114,906	226,014	226,014	0
Fund Balances - June 30, 2008	\$ 511,052	\$ 723,983	\$ 723,983	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



## SUPPLEMENTARY INFORMATION SECTION



# MARTINEZ UNIFIED SCHOOL DISTRICT

MARTINEZ, CALIFORNIA

JUNE 30, 2008

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## ORGANIZATION

The Martinez Unified School District was unified in 1963. The District encompasses an area of approximately 24 square miles in Contra Costa County. There was no change in the District boundaries during the year. The District operates four elementary schools, one junior high school, one high school, one continuation high school, a full-time independent study program school, and an adult school.

## GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ron Skrehot	President	November, 2010
Vicki Gordon	Vice-President	November, 2010
Denise Elsken	Member	November, 2008
Kathi McLaughlin	Member	November, 2008
John Fuller	Member	November, 2008

## ADMINISTRATION

John Triolo  
Superintendent

Timothy Rahill  
Assistant Superintendent,  
Administrative Services

MARTINEZ UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary</u>		
Kindergarten	238	238
First through Third	744	747
Fourth through Sixth	803	802
Seventh and Eighth	635	634
Special Education	65	65
Extended Year	3	3
Home and Hospital	<u>1</u>	<u>1</u>
Total Elementary	<u>2,489</u>	<u>2,490</u>
<u>High School</u>		
Nine through Twelve	1,229	1,216
Continuation Education	78	77
Special Education	57	55
Extended Year	2	2
Home & Hospital	<u>1</u>	<u>2</u>
Total High School	<u>1,367</u>	<u>1,352</u>
<u>Classes for Adults</u>		
Concurrently Enrolled	28	33
State Apportioned	1,009	1,103
Independent Study	<u>26</u>	<u>28</u>
Total Classes for Adults	<u>1,063</u>	<u>1,164</u>
Totals	<u>4,919</u>	<u>5,006</u>
<u>Supplemental School Hours</u>	<u>Hours of Attendance</u>	
Elementary	41,052	48,473
High School	<u>33,662</u>	<u>35,670</u>
Total	<u>74,714</u>	<u>84,143</u>

Average daily attendance is a measurement of the numbers of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2007-2008 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,680	36,000	180	In compliance
Grade 1	50,400	50,490	53,740	180	In compliance
Grade 2	50,400	50,490	53,740	180	In compliance
Grade 3	50,400	50,490	53,740	180	In compliance
Grade 4	54,000	48,830	55,440	180	In compliance
Grade 5	54,000	48,830	55,440	180	In compliance
Grade 6	54,000	48,830	56,820	180	In compliance
Grade 7	54,000	51,169	56,820	180	In compliance
Grade 8	54,000	51,169	56,820	180	In compliance
Grade 9	64,800	56,520	66,420	180	In compliance
Grade 10	64,800	56,520	66,420	180	In compliance
Grade 11	64,800	56,520	66,420	180	In compliance
Grade 12	64,800	56,520	66,420	180	In compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

MARTINEZ UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Martinez Unified School District.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXCESS SICK LEAVE

JUNE 30, 2008

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This schedule indicates whether excess sick leave, as that term is defined in subdivision (c) of *California Education Code* Section 22170.5, is expressly authorized or is accrued for the District's employees who are members of the California State Teacher's Retirement System (CalSTRS).

The Martinez Unified School District does not provide more than twelve (12) sick leave days in a school year to any CalSTRS member.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
<u>Program Name:</u>			
US Department of Agriculture:			
Passed Through California			
Department of Education (CDE):			
National School Lunch	10.555	13391	\$ 259,909
Especially Needy School Breakfast	10.553	13390	58,215
Total US Department of Agriculture			318,124
US Department of Education:			
Passed Through CDE:			
NCLB: Title I Basic Grants Low Income and Neglected	84.010	14329	149,581
NCLB: Title II Improving Teacher Quality	84.367	14341	122,871
NCLB: Title II Enhancing Education Through Technology	84.318	14334	1,001
NCLB: Title III Limited English Proficiency	84.365	10084	24,130
NCLB: Title IV Drug Free Schools	84.186	14347	26,021
NCLB: Title V Innovative Education Strategies	84.298A	14354	3,112
Special Education:			
IDEA Part B - Local Assistance	84.027	13379	641,128
IDEA Part B - Preschool Grants	84.173	13430	54,177
Adult Education:			
Adult Basic Education - ESL	84.002A	14508	27,594
Adult Secondary Education	84.002	13978	8,640
English Literacy & Civics	84.002A	14109	34,981
Vocational Education Act: Post Secondary and Adult IIC,			
Adult Section 132	84.048	14893	120,965
Vocational Education Act: Section 131	84.048	13924	29,370
Workability II, Transportation Partnership	84.158	10006	147,994
Pell Grant	84.063	N/ A	50,307
Received Direct:			
Indian Education	84.060	10011	153,696
Total US Department of Education			1,595,568
US Department of Health and Human Services			
Passed Through CDE:			
Medical Billing Option	93.778	10013	207,325
Medical Administrative	93.778	10060	6,969
Total US Department of Health and Human Services			214,294
Total Federal Programs			\$ 2,127,986

SEE NOTES TO SUPPLEMENTARY INFORMATION



MARTINEZ UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Auditor's Comments

The audited financial statements of all funds were in agreement with the Unaudited Actuals for the year ended June 30, 2008.

MARTINEZ UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budget 2008-2009	2007-2008	2006-2007	2005-2006
<u>General Fund</u>				
Revenues and Other Financial	\$ 29,500,794	\$ 31,092,827	\$ 31,119,987	\$ 28,958,276
Expenditures	29,382,146	30,902,671	30,342,207	28,776,109
Other Uses and Transfers Out	221,137	221,137	215,000	773,495
Total Outgo	29,603,283	31,123,808	30,557,207	29,549,604
Change in Fund Balance (Deficit)	(102,489)	(30,981)	562,780	(591,328)
Ending Fund Balance	<u>\$ 3,736,226</u>	<u>\$ 4,140,381</u>	<u>\$ 4,171,362</u>	<u>\$ 3,608,582</u>
Available Reserves	<u>\$ 1,655,735</u>	<u>\$ 934,000</u>	<u>\$ 915,000</u>	<u>\$ 890,000</u>
Designated for Economic	<u>\$ 909,000</u>	<u>\$ 934,000</u>	<u>\$ 915,000</u>	<u>\$ 890,000</u>
Undesignated Fund Balance	<u>\$ 746,735</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Available Reserves as a Percentage of Total Outgo	5.6%	3.0%	3.0%	3.0%
Total Long-Term Debt	\$ 23,445,000	\$ 26,427,075	\$ 29,207,466	\$ 32,828,849
Average Daily Attendance at P-2 (excluding Adult Education)	3,874	3,856	3,918	3,933

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The District General Fund balance has decreased \$59,529 during the past three years. A decrease of \$102,489 is expected for 2008-2009. For a District this size the state recommends available reserves of 3% of total expenditures, transfers out and other outgo (total outgo).

General long-term debt has decreased by \$6,401,774 during the past two years. Average daily attendance has decreased by 77 ADA during the past two years.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
JUNE 30, 2008

		Deferred	Special Reserve Fund for Post- Employment	Building	Capital	County School	Totals
	Cafeteria	Maintenance	Benefits		Facilities	Facilities	
<u>ASSETS</u>							
Cash in County Treasury		\$ 953,178	\$ 615,477	\$ 13,890	\$ 389,246	\$ 157	\$ 1,971,948
Cash on Hand and in Bank	\$ 3,098						3,098
Investments				786	12,094		12,880
Accounts Receivable	84,655			109	368		85,132
Stores Inventory	20,004						20,004
Total Assets	<u>\$ 107,757</u>	<u>\$ 953,178</u>	<u>\$ 615,477</u>	<u>\$ 14,785</u>	<u>\$ 401,708</u>	<u>\$ 157</u>	<u>\$ 2,093,062</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Deficit Cash Balance	\$ 164,055						\$ 164,055
Accounts Payable	17,567	\$ 24,570		\$ 21	\$ 156		42,314
Total Liabilities	<u>181,622</u>	<u>24,570</u>		<u>21</u>	<u>156</u>		<u>206,369</u>
Fund Balances:							
Reserved	20,004						20,004
Unreserved							
Designated			\$ 615,477				615,477
Undesignated (Deficit)	(93,869)	928,608		14,764	401,552	\$ 157	1,251,212
Total Fund Balances (Deficit)	<u>(73,865)</u>	<u>928,608</u>	<u>615,477</u>	<u>14,764</u>	<u>401,552</u>	<u>157</u>	<u>1,886,693</u>
Total Liabilities and Fund Balances	<u>\$ 107,757</u>	<u>\$ 953,178</u>	<u>\$ 615,477</u>	<u>\$ 14,785</u>	<u>\$ 401,708</u>	<u>\$ 157</u>	<u>\$ 2,093,062</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NON-MAJOR FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Cafeteria	Deferred Maintenance	Special Reserve Fund for Post- Employment Benefits	Building	Capital Facilities	County School Facilities	Totals
<u>REVENUES</u>							
Revenue Limit Sources:							
State Apportionment	\$ 9,000						\$ 9,000
Federal Sources:							
Child Nutrition Program	318,124						318,124
Other State Sources:							
State Nutrition Program	29,490						29,490
Other		\$ 201,433					201,433
Other Local Sources:							
Food Service Sales	596,969						596,969
Interest		32,186	\$ 23,497	\$ 11,378	\$ 17,624		84,685
Other					579,613		579,613
Total Revenues	953,583	233,619	23,497	11,378	597,237		1,819,314
<u>EXPENDITURES</u>							
Classified Salaries	265,924	53,091			6,151		325,166
Employee Benefits	96,283	24,519			699		121,501
Books and Supplies	427,982	22,191		90	13,800	\$ 1,082	465,145
Services and Other							
Operating Expenditures	166,985	59,096		158	24,231	211	250,681
Capital Outlay	6,433	75,264		313,568	1,409,850		1,805,115
Debt Service:							
Interest and Fiscal Charges	5,855						5,855
Other Outgo	27,655					19	27,674
Total Expenditures	997,117	234,161		313,816	1,454,731	1,312	3,001,137
Excess of Revenues Over (Under) Expenditures	(43,534)	(542)	23,497	(302,438)	(857,494)	(1,312)	(1,181,823)
Other Financing Sources:							
Operating Transfers In		221,137					221,137
Excess of Revenues and Other Sources Over (Under) Expenditures	(43,534)	220,595	23,497	(302,438)	(857,494)	(1,312)	(960,686)
Fund Balances - July 1, 2007	(30,331)	708,013	591,980	317,202	1,259,046	1,469	2,847,379
Fund Balances (Deficit) - June 30, 2008	\$ (73,865)	\$ 928,608	\$ 615,477	\$ 14,764	\$ 401,552	\$ 157	\$ 1,886,693

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND - STUDENT BODY  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
<u>ALHAMBRA HIGH SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 182,873	\$ 786,682	\$ 793,974	\$ 175,581
<u>LIABILITIES</u>				
Due to Student Groups	\$ 182,873	\$ 786,682	\$ 793,974	\$ 175,581
<u>MARTINEZ JUNIOR HIGH SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 94,979	\$ 364,006	\$ 364,490	\$ 94,495
<u>LIABILITIES</u>				
Due to Student Groups	\$ 94,979	\$ 364,006	\$ 364,490	\$ 94,495
<u>LAS JUNTAS SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 9,781	\$ 9,148	\$ 8,954	\$ 9,975
<u>LIABILITIES</u>				
Due to Student Groups	\$ 9,781	\$ 9,148	\$ 8,954	\$ 9,975
<u>MORELLO PARK SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 3,081	\$ 20,547	\$ 19,369	\$ 4,259
<u>LIABILITIES</u>				
Due to Student Groups	\$ 3,081	\$ 20,547	\$ 19,369	\$ 4,259

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND - STUDENT BODY (CONCLUDED)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Beginning Balances	Additions	Deductions	Ending Balances
<u>JOHN MUIR ELEMENTARY SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 11,957	\$ 18,134	\$ 18,422	\$ 11,669
<u>LIABILITIES</u>				
Due to Student Groups	\$ 11,957	\$ 18,134	\$ 18,422	\$ 11,669
<u>JOHN SWETT ELEMENTARY SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 1,911	\$ 14,500	\$ 16,411	\$ 0
<u>LIABILITIES</u>				
Due to Student Groups	\$ 1,911	\$ 14,500	\$ 16,411	\$ 0
<u>VINCENT BRIONES SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ 16	\$ 0	\$ 0	\$ 16
<u>LIABILITIES</u>				
Due to Student Groups	\$ 16	\$ 0	\$ 0	\$ 16
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 304,598	\$ 1,213,017	\$ 1,221,620	\$ 295,995
<u>LIABILITIES</u>				
Due to Student Groups	\$ 304,598	\$ 1,213,017	\$ 1,221,620	\$ 295,995

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

E. Schedule of Excess Sick Leave

This schedule indicates whether excess sick leave, as that term is defined in subdivision (c) of California Education Code Section 22170.5, is expressly authorized or is accrued for the District's employees who are members of the California State Teacher's Retirement System (CalSTRS).

F. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with Circular A-133 requirements, this schedule was prepared for the District.

G. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

H. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

I. Combining Statements and Individual Fund Schedules

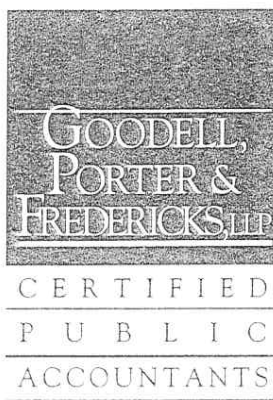
Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.





OTHER INDEPENDENT AUDITOR'S REPORTS SECTION





RICHARD J. GOODELL, CPA  
JOHN L. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
BEVERLY A. SANCHEZ, CPA

## REPORT ON STATE COMPLIANCE

Board of Education  
Martinez Unified School District  
Martinez, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Martinez Unified School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2007-08*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

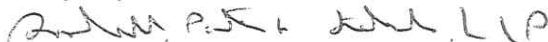
The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional Occupational Center/Programs	6	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

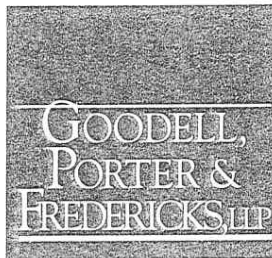
<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Yes
Instructional Materials:		
General Requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-Safe) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction, for charter schools	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes - Classroom Based	3	Not Applicable

Based on our audit, we found that, for the items tested, the Martinez Unified School District complied with the state laws and regulations referred to above. Further, based on the examination, for items not tested, nothing came to our attention to indicate that the Martinez Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the District Board, management, State Controller's Office, Department of Finance, Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

  
GOODELL, PORTER & FREDERICKS, LLP  
Certified Public Accountants

December 12, 2008



CERTIFIED  
PUBLIC  
ACCOUNTANTS

RICHARD J. GOODELL, CPA  
JOHN L. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
BEVERLY A. SANCHEZ, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Martinez Unified School District  
Martinez, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martinez Unified School District as of and for the year ended June 30, 2008, which collectively comprise the Martinez Unified School District's basic financial statements and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Martinez Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Martinez Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Martinez Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Martinez Unified School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Martinez Unified School District's financial statements that is more than inconsequential will not be prevented or detected by the Martinez Unified School District's internal control. We consider the deficiencies described as findings 2008-1 and 2008-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Martinez Unified School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

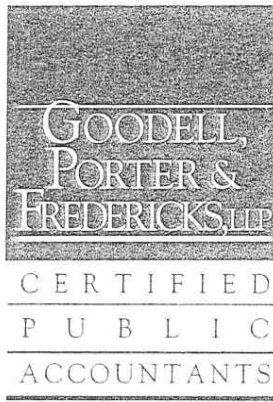
As part of obtaining reasonable assurance about whether Martinez Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Martinez Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Martinez Unified School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District Board and management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

  
GOODELL, PORTER & FREDERICKS, LLP  
Certified Public Accountants

December 12, 2008



RICHARD J. GOODELL, CPA  
JOHN L. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
BEVERLY A. SANCHEZ, CPA

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

Board of Trustees  
Martinez Unified School District  
Martinez, California

Compliance

We have audited the compliance of Martinez Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Martinez Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Martinez Unified School District's management. Our responsibility is to express an opinion on Martinez Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Martinez Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides reasonable basis for our opinion. Our audit does not provide a legal determination of Martinez Unified School District's compliance with those requirements.

In our opinion, Martinez Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Martinez Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Martinez Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Martinez Unified School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the District Board and management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

  
GOODELL, PORTER & FREDERICKS, LLP  
Certified Public Accountants

December 12, 2008



## FINDINGS AND QUESTIONED COSTS SECTION



MARTINEZ UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST

JUNE 30, 2008

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

*Federal Awards*

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA Part B - Local Assistance
84.048	Vocational Education Act: Post Secondary and Adult II C Adult Section 132

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

*State Awards*

Internal control over state programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for state programs: Unqualified

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST

JUNE 30, 2008

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**Section II - Financial Statements Findings**

2008 - 1 - ASSOCIATED STUDENT BODY (ASB) - BANK RECONCILIATIONS - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require internal controls for cash activity that includes reconciliations of the recorded balance to the bank statement balances completed monthly and reviewed for accuracy.

Finding: During our testing of Las Juntas Elementary, Martinez Junior High, Morello Park Elementary and John Swett Elementary ASB accounts, we noted reconciliations to bank statements were not completed correctly. In addition, Morello Park Elementary cash register had several errors that resulted in the recorded balance not being accurate.

Effect: By not posting all entries to the register, ending balances will not be correctly reflected and reconciled. If reconciliations to the register are not correctly performed, the risk of errors and misappropriations increases. Without review of the reconciliations, the internal control process is circumvented, which will also increase the potential risk of error and misappropriation.

Recommendation: We recommend the District implement procedures that include training the student body staff on the proper controls for accounting for cash. Bank reconciliations for ASB accounts should be performed monthly with all differences promptly resolved and reviewed by an independent employee.

District Response: The District agrees and will implement in 2008-09 to ensure all sites are correctly reconciling ASB accounts.

2008 - 2 - BANK RECONCILIATION - CAFETERIA FUND - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require reconciling the commercial clearing bank accounts, on a monthly basis, to the bank statement and the authorized (imprest) balance.

Finding: The District uses a commercial bank account to deposit daily food service sales. The deposits are then transferred to the County Treasury. During our review of the food service activity, we noted the Cafeteria Fund clearing commercial bank account balance is not being reconciled to the imprest balance.

Effect: Without proper monthly reconciliations, recognition of revenues may not be accurate and errors may occur and not be detected in a timely manner.

Recommendation: We recommend the District implement procedures that include training and supervision to ensure all activities within the Cafeteria Fund clearing account are accounted for and reconciled on a monthly basis.

District Response: The District agrees and will implement procedures in 2008-09. The District will perform monthly reconciliations to ensure Cafeteria Fund commercial bank account is reconciled and all activities within the account are accounted for.

MARTINEZ UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST

JUNE 30, 2008

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**Section III - Federal Award Findings and Questioned Costs**

No matters are reported.

**Section IV - State Award Findings and Questioned Costs**

No matters are reported.

## MARTINEZ UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2008

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<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
1. Each site should retain supporting documentation for all amounts deposited.	Accepted Implemented	
2. Cash receipts collected at school sites should be sent to the District Office on a weekly basis or more frequently if large amounts are received.	Accepted Implemented	
3. Establish procedures to verify, in advance of purchase, that all items being charged as high school instructional materials account have Governing Board approval.	Accepted Implemented	